

Message Text

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72

ORIGIN EB-03

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66619

EB/TT/MA/SVSMITH

APPROVED BY EB/TT MA RKBANK

EA/PHL RWILLNER

----- 000929

R 191738Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY MONROVIA

AMEMBASSY OSLO

AMEMBASSY PANAMA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY HELSINKI

AMEMBASSY ATHENS

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

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FOLLOWING REPEAT MANILA 3041 ACTION SECSTATE INFO TOKYO MAR 11

QUOTE

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E.O. 11652: N/A

TAGS: EWWT, EEWT, ETRD, RP

SUBJECT: GOP ENCOURAGES USE OF PHILIPPINE BOTTOMS VIA TAX ADVANT-

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AGES

REF: MANILA 2937

1. SHIPPING AGENYS AND SHIPPING CONFERENCES HAVE BEEN DISCUSSING SIGNIFICANCE OF PRESIDENTIAL DECREE NO. 667 OF MARCH 5, 1975 WHICH PROVIDES TAX ADVANTAGES TO USERS OF PHILIPPINE SHIPSM TEXT OF DECREE BEING POUCHED, AND PROVISIONS ARE AS REPORTED IN PARA ONE REFTEL.

2. ONE SHIPPING AGENT HAS POINTED OUT THAT DECREE HAS GENESIS IN INVESTMENT INCENTIVES ACT OF 1967 (RA 5186), PARAGRAPH NINE OF WHICH PROVIDED THAT BOI REGISTERED FIRMS MAY DEDUCT FROM TAXABLE INCOME 200 PERCENT OF SHIPPING FREIGHT IF SHIPMENTS MADE ON PHILIPPINE VESSELS, AND 1TP PERCENT OF FREIGHT EXPENSES IF SHIPMENTS MADE ON FOREIGN VESSEL BUT TO A PORT WHICH IS NOT REGULAR PORT OF CALL OF PHILIPPINE VESSELS. PRIOR APPROVAL, INCLUDING PRODUCTS AND COMMODITIES INVOLVED, MUST BE OBTAINED, HOWEVERM THERE WERE PORTESTS AGAINST RA 5186 AT THAT TIME, AND PARAGRAPH NINE OF RA 5186 WAS EVENTUALLY REPEALED BY PRESIDENTIAL DECREE NO. 92 DATED JANUARY 6, 1973.

3. NEW DECREE GOES MUCH FURTHER THAN RA 5186 IN NATIONAL FLAG DISCRIMINATION IN SHIPPINGM INSTEAD OF ONLY BOI REGISTERED FIRMS ENGAGED IN EXPORTING, NEW BENEFICIARIES INCLUDE NOT ONLY ALL EXPORTERS BUT ALSO ALL IMPORTERS, AND THERE IS NO NEED FOR PRIOR APPROVAL. NET EFFECT, ACCORDING TO CALCULATION OF ABOVE SHIPPING AGENT, IS THAT ORDINARY SHIPPER WILL PAY 21 PERCENT MORE AND BOI REGISTERED FIRM 54 PERCENT MORE WHEN SHIPPING ON NON-PHILIPPINE FLAG VESSELS.

4. WE UNDERSTAND THAT LYKES ORIENT, STATES LINE, PFEL, WATERMAN, US LINES, AND APL ARE BEING INFORMED AND DEPARTMENT LIKELY TO HEAR FROM SEVERAL OF THEM. JAPANESE SHIPPING COMPANIES ARE REPRESENTED BY LOCAL AGENTS WHO TELL US THAT JAPANESE ARE UNDERSTANDABLY DISTURBED AND SEEKING FURTHER INFORMATION AS TO HOW THEY SHOULD REACT. JAPANESE EMBASSY, ACCORDING TO ITS COMATT, HAS NOT YET TAKEN POSITION ON PROBLEM. DEPARTMENT MAY RECALL THAT RP/JAPANESE TREATY OF AMITY AND ECONOMIC RELATIONS, RATIFIED IN EARLY 1974, LIMITED OFFICIAL USE

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PROVIDES FOR NATIONAL TREATMENT OF JAPANESE SHIPPINGM THIS COULD BE SOURCE OF SEVERE HEARTBURN TO JAPANESE IF FILIPINOS DO NOT FIGURE OUT HOW TO RECONCILE NEW DECREE WITH SUCH A TREATY REQUIREMENT. SULLIVAN UNQUOTE INGERSOLL

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Margaret P. Grafeld
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